

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the January 2001 to the April 2001 *Idaho Economic Forecast*. The January 2001 Idaho forecast is based on DRI's November 2000 U.S. macroeconomic forecast and the April 2001 Idaho forecast is driven by DRI's March 2001 forecast.

The outlook for the U.S. economy has softened since the last *Forecast* was published. A review of several key indicators shows how significantly things have changed. Real GDP, the broadest measure of the economy's health, is considered first. As the accompanying table shows, real GDP is 2.1% lower in 2001 compared to the previous forecast. This situation worsens over the next two years, as real output is down 3.1% in 2002 and 3.5% in 2003. In 2004, real GDP stages a small rally, but is still down by 3.3% compared to the January 2001 Forecast. Not only is the new personal income forecast weaker than the previous one, but the gap between the two widens over time. U.S. nominal personal income goes from being 1.3% lower this year to 3.3% lower by 2004. In absolute terms, U.S. nominal personal income in 2004 is nearly \$350 billion lower than in the previous forecast. Adjusting U.S. personal income for the effects of inflation narrows the gap between the current and previous estimates, but does not eliminate it. Specifically, U.S. real personal income is down 1.6% in 2001, 2.6% in 2002, 2.9% in 2003, and 2.8% in 2004. Interestingly, despite the weaker economic outlook, inflation is marginally higher through 2003. Under the current forecast, there is expected to be nearly 1.8 million fewer jobs in 2004 versus what had been anticipated earlier. The goods-producing sector takes its biggest hit in 2002, when its job numbers are down more than 400,000 from the previous estimate. Service-producing employment is about 1.5 million lower by 2004.

Like its national counterpart, the forecast of the Idaho economy has been scaled back. This can be seen in the nonfarm employment and personal income data on the next page. Compared to the previous forecast, Idaho nonfarm employment is projected to be lower by 3,910 this year, 7,614 next year, 8,776 in 2003, and 7,107 in 2004. The goods-producing sector is hit relatively harder than the services-producing sector. Specifically, Idaho goods-producing employment goes from being 1.8% below the previous forecast in 2001 to being 2.6% lower in 2004. On the other hand, services-producing employment is down just 0.8% in 2004. The forecast for nominal Idaho personal income is lower in each year. By 2004, it is off by almost two-thirds of a billion dollars, or about 1.6%. Because of the lower anticipated inflation in 2004, real Idaho personal income in that year is \$381 million (1.1%) below the amount forecasted in January 2001.

IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
APRIL 2001 AND JANUARY 2001 FORECASTS

	1999	2000	2001	2002	2003	2004
GDP (BILLIONS)						
Current \$	0	-35	-202	-323	-426	-510
% Difference	0.0%	-0.3%	-1.9%	-2.9%	-3.6%	-4.0%
1996 Chain-Weighted	0	-24	-203	-312	-369	-364
% Difference	0.0%	-0.3%	-2.1%	-3.1%	-3.5%	-3.3%
PERSONAL INCOME - CURR \$						
Idaho (Millions)	0	122	-284	-547	-640	-636
% Difference	0.0%	0.4%	-0.9%	-1.6%	-1.7%	-1.6%
U.S. (Billions)	0	-9	-116	-214	-280	-348
% Difference	0.0%	-0.1%	-1.3%	-2.3%	-2.8%	-3.3%
PERSONAL INCOME - 1996 \$						
Idaho (Millions)	2	131	-337	-598	-592	-381
% Difference	0.0%	0.5%	-1.1%	-1.9%	-1.8%	-1.1%
U.S. (Billions)	0	-4	-126	-220	-254	-257
% Difference	0.0%	-0.1%	-1.6%	-2.6%	-2.9%	-2.8%
TOTAL NONFARM EMPLOYMENT						
Idaho	-7	186	-3,910	-7,614	-8,776	-7,107
% Difference	0.0%	0.0%	-0.7%	-1.3%	-1.5%	-1.2%
U.S. (Thousands)	0	-73	-864	-1,434	-1,801	-1,770
% Difference	0.0%	-0.1%	-0.6%	-1.1%	-1.3%	-1.3%
GOODS PRODUCING SECTOR						
Idaho	-1	-229	-2,157	-2,355	-2,986	-3,324
% Difference	0.0%	-0.2%	-1.8%	-2.0%	-2.4%	-2.6%
U.S. (Thousands)	0	6	-173	-416	-375	-248
% Difference	0.0%	0.0%	-0.7%	-1.7%	-1.5%	-1.0%
SERVICE PRODUCING SECTOR						
Idaho	-6	415	-1,752	-5,258	-5,789	-3,783
% Difference	0.0%	0.1%	-0.4%	-1.1%	-1.2%	-0.8%
U.S. (Thousands)	0	-79	-691	-1,018	-1,426	-1,522
% Difference	0.0%	-0.1%	-0.6%	-0.9%	-1.3%	-1.3%
FINANCIAL MARKETS						
Federal Funds Rate	0.0	0.0	-1.3	-1.0	-0.5	-0.3
Bank Prime Rate	0.0	0.0	-1.3	-1.0	-0.5	-0.3
Mort Rate, Existing Homes	0.0	0.1	-0.1	0.7	1.2	1.4
INFLATION						
GDP Price Deflator	0.0	-0.1	0.2	0.2	-0.1	-0.8
Personal Cons Deflator	0.0	-0.1	0.3	0.4	0.1	-0.6
Consumer Price Index	0.0	0.0	0.9	1.2	0.7	-0.5

Forecast Begins the FOURTH Quarter of 2000